

The complaint

Miss T complains that Evergreen Finance London Limited trading as MoneyBoat.co.uk ("MoneyBoat") provided her with loans she couldn't afford to repay because at the time she had four accounts on her credit file that were in default.

What happened

A summary of Miss T's borrowing can be found in the table below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£300.00	30/11/2022	11/01/2023	3	£137.55
2	£1,000.00	24/01/2023	10/02/2023	6	£314.92
3	£1,200.00	14/02/2023	14/03/2023	6	£369.56

MoneyBoat considered the complaint, and it concluded it had carried out proportionate checks which showed it Miss T could afford them. Unhappy with this response, Miss T referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator, who didn't uphold the complaint about loans 1 and 2 but she did uphold the complaint about loan 3. By this time the credit check results showed that Miss T's debt was ever increasing and was now twice the size as it was at loan 2 even though this was only a few weeks later. Loan 3 was also Miss T's largest loan with the largest monthly repayment.

The investigator said these factors ought to have led MoneyBoat to conduct further checks and had these been conducted it would've most likely discovered Miss T was spending significant amounts each month on gambling websites.

MoneyBoat didn't agree with the proposed outcome for loan 3 saying that it didn't see enough in the information it gathered to have warranted further checks. As no agreement could be reached the case has been passed to me for a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

MoneyBoat had to assess the lending to check if Miss T could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances. MoneyBoat's checks could have taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss T's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest MoneyBoat should have done more to establish that any lending was sustainable for Miss T. These factors include:

- Miss T having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Miss T having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Miss T coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Miss T. The investigator didn't consider this applied to Miss T's complaint and I would agree given the number of loans and the time she spent in debt.

MoneyBoat was required to establish whether Miss T could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss T was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss T's complaint.

Loans 1 and 2

The investigator didn't uphold Miss T's complaint about these loans and neither party has said they don't disagree with this outcome. Therefore, as the loans appears to no longer be in dispute, I haven't considered them further.

Loan 3

MoneyBoat asked Miss T for details of her income, which she declared as being £2,800 per month – which was in line with what she had previously declared. MoneyBoat says the declared income figure was verified using a tool provided by a credit reference agency. To me, that doesn't seem an unreasonable approach.

Miss T was also asked for details of her monthly expenditure, which included asking for how much she paid to rent, credit commitments, food, transport and other spending and she declared her monthly outgoings were £1,450.

My understanding of MoneyBoat's affordability process is that it likely used information from Miss T's credit search and / or possibly from the "*Common Financial Statement*". Following further checks, MoneyBoat didn't make any adjustments to her declared outgoings, so for the affordability assessment it could see Miss T had sufficient disposable income to afford her repayments.

Before the loan was approved MoneyBoat also carried out a credit search and it has provided a copy of the results it received from the credit reference agency.

MoneyBoat was told that Miss T had 11 active accounts, owing around £12,700 which had increased from £7,500 at loan 2 – merely weeks before. Miss T had opened six new accounts within the last six months, but two of the six would've been loans 1 and 2 in the table above.

Although MoneyBoat was informed of three accounts which had defaulted in 2017 and 2018, all of these had been settled in either 2020 or 2021. The defaults alone wouldn't have been of concern to MoneyBoat given how long ago they had been recorded. There also weren't any Country Court Judgements.

MoneyBoat knew of three outstanding loans (which included a payday loan) that Miss T had and the cost per month to service these loans was £520. On top of this Miss T had utilities and credit cards to repay.

However, like the investigator I do have some concerns, Miss T's overall debt had more than doubled in the three months since she started borrowing at loan 1. Indeed, the overall indebtedness had increased by over £5,000 within a space of three weeks – since loan 2 was granted. That is in my view a significant increase in a short space of time.

The increase in debt along with the fact that Miss T appeared to be repaying her loans much more quickly than planned before returning for new loans of increasing value ought to have led MoneyBoat to carry out additional checks.

So, I agree with the investigator, that these factors ought to have prompted MoneyBoat to have conducted further checks before it lent the final loan to her. MoneyBoat could've carried out these further checks a number of ways it could've asked for evidence of her income, her outgoings, bank statements or any other documentation it felt was needed.

Miss T has provided a copy of her bank statements for the period of time leading up to loan 3 being granted. So, in the absence of MoneyBoat conducting what I consider to be a proportionate check and I consider it to be entirely fair and reasonable to review Miss T's bank statements to see what MoneyBoat would've likely discovered.

Had MoneyBoat carried out further checks, I think it would've likely seen that Miss T was spending significant amounts each month on gambling transactions. In the first two weeks of February 2023, she spent over £1,800 on such transactions. And on top of this she had her other living costs that MoneyBoat knew about. The loan was therefore unaffordable for Miss T.

So, I don't think, had MoneyBoat conducted proportionate checks it would've lent to Miss T. Taking everything into account, I am upholding Miss T's complaint about the loan.

Putting things right

In deciding what redress MoneyBoat should fairly pay in this case I've thought about what might have happened had it not lent loan 3 to Miss T. Clearly there are a great many possible, and all hypothetical, answers to that question.

For example, having been declined this lending Miss T may have simply left matters there, not attempting to obtain the funds from elsewhere. If this wasn't a viable option, they may have looked to borrow the funds from a friend or relative – assuming that was even possible.

Or, they may have decided to approach a third-party lender with the same application, or indeed a different application (i.e. for more or less borrowing). But even if they had done that, the information that would have been available to such a lender and how they would (or

ought to have) treated an application which may or may not have been the same is impossible to now accurately reconstruct. From what I've seen in this case, I certainly don't think I can fairly conclude there was a real and substantial chance that a new lender would have been able to lend to Miss T in a compliant way at this time.

Having thought about all of these possibilities, I'm not persuaded it would be fair or reasonable to conclude that Miss T would more likely than not have taken up any one of these options. So, it wouldn't be fair to now reduce MoneyBoat's liability in this case for what I'm satisfied it has done wrong and should put right.

MoneyBoat shouldn't have given Miss T loan 3.

- A. MoneyBoat should add together the total of the repayments made by Miss T towards interest, fees and charges on the loan.
- B. It should calculate 8% simple interest* on the individual payments made by Miss T which were considered as part of "A", calculated from the date Miss T originally made the payments, to the date the complaint is settled.
- C. MoneyBoat should pay Miss T the total of "A" plus "B".
- D. It should remove any adverse information MoneyBoat has recorded on Miss T's credit file in relation loan 3.

*HM Revenue & Customs requires MoneyBoat to deduct tax from this interest. MoneyBoat should give Miss T a certificate showing how much tax it has deducted, if she asks for one.

My final decision

For the reasons I've outlined above, I am upholding Miss T's complaint in part.

Evergreen Finance London Limited trading as MoneyBoat.co.uk should put things right for Miss T as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 24 May 2024.

Robert Walker
Ombudsman